

Government Responses to the Recommendations of
PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S
102nd Report on the 2011-12 Budget Estimates – Part One

DEPARTMENT OF TREASURY AND FINANCE

Pursuant to Section 36 of the *Parliamentary Committees Act 2003*, this paper provides a response to the recommendations contained in the Public Accounts and Estimates Committee's (PAEC) 102nd Report.

Guide for Readers - Following is the explanation of the format of this paper.

1 Title		
2 Chapter number and topic		
1 PAEC Recommendation	2 Response	3 Action Taken to Date and Commitment to Further Action

Row 1: Indicates the title of this paper.

Row 2: Indicates the number and topic of the response to the PAEC recommendations.

Column 1: Contains the PAEC's recommendations as published in its 102nd.

Column 2: Indicates the Government's response to each recommendation:

Support – Commitments to further action should include target timeframes, where possible.

Under review – Details of the nature of the review should be provided as well as target timeframes, where appropriate.

Not support – Must be accompanied by an explanation.

Column 3: Provides an explanation of the Government's position on the recommendation; indicates the actions that have been taken to date, relevant to the implementation of the recommendation; and outlines commitment to further action, relevant to the implementation of the recommendation.

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 1, Chapter 2.3.1 Variations in revenue projections (Page 15)		
Future budget papers include a dissection of the major components of estimated revenue to be derived from the provision of services across government to facilitate the Parliament's analysis of associated revenue trends.	Support	<p><i>Commitment to further action</i></p> <p>The Department of Treasury and Finance will assess opportunities to more clearly explain the major components of estimated revenue sourced from the provision of services, with additional disclosure to be addressed in the forthcoming budget papers as appropriate.</p>
Recommendation 2, Chapter 2.3.2 Higher operating expense projections (Page 17)		
Future budget papers include specific commentary on reasons for the main changes between budget forecasts for individual operating expense items and the latest revised forecasts for the previous year.	Support	<p><i>Action taken to date</i></p> <p>The Department of Treasury and Finance (DTF) publishes commentary on movements between previous budget publications to the current budget publication for both revenue and expenditure items (Budget Paper No. 2, Chapter 3 <i>Budget Position and Outlook</i>, Appendix A <i>Operating Statement Reconciliation</i>).</p> <p><i>Commitment to further action</i></p> <p>The Government is committed to increased transparency on the use of public funds. DTF will seek to enhance commentary on changes to the current budget expenditure estimates for the major items in the operating statement for the general government sector.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 3, Chapter 2.4 The Government's November 2010 election commitments (Page 21)

<p>The Government build on initiatives to achieve transparent disclosure of election commitments and associated savings in the budget papers through additional measures to address existing data gaps and improve the quality and clarity of published material on these subjects for the Parliament and other readers. Additional disclosures should include:</p> <p>(a) tabulations breaking down allocations of election commitments and associated savings by department and reconciling departmental allocations with aggregates disclosed elsewhere in the budget papers;</p> <p>(b) the strategies to be followed to achieve all identified savings; and</p> <p>(c) the basis adopted for quantifying each department's expected contribution to each identified savings source.</p>	Support	<p><i>Commitment to further action</i></p> <p>The Department of Treasury and Finance will seek to build on initiatives around the disclosure of election commitments and election savings, to improve the quality and clarity of published material on these subjects in forthcoming budget papers.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 4, Chapter 2.4 The Government's November 2010 election commitments (Page 21)		
Action taken by the Government to enhance disclosure of election commitments and related savings targets within the budget papers be matched by equivalent improvements in the reporting of actual savings in its annual financial report and departmental annual reports.	Support	<p><i>Commitment to further action</i></p> <p>The Department of Treasury and Finance will seek to more clearly explain the achievement of actual savings, in future annual financial reports and departmental annual reports.</p>
Recommendation 5, Chapter 2.5 Response to major flooding (Page 24)		
Future budget papers include a consolidated statement identifying the expected sources and application of funding for major natural disasters and the estimated net cost to the Government.	Support	<p><i>Action taken to date</i></p> <p>The Department of Treasury and Finance (DTF) agrees that high standards of management are required in responding to major natural disasters and in accounting for their impact on state-owned assets, businesses and the community. DTF will therefore continue to provide transparency in the reporting of funding arrangements in response to major natural disasters.</p> <p><i>Commitment to further action</i></p> <p>DTF will investigate opportunities to provide a consolidated statement of funding for major disasters, in future budget papers.</p>
Recommendation 6, Chapter 2.5 Response to major flooding (Page 24)		
The Government apply high standards of transparency and accountability in its global reporting to the Parliament in the annual financial report and in departmental annual reports on the effectiveness of the management of funding allocated in response to the 2010 and 2011 floods.	Support	<p><i>Action taken to date</i></p> <p>The Department of Treasury and Finance (DTF) agrees that high standards of management are required in responding to major natural disasters and in accounting for their impact on state-owned assets, businesses and the community. DTF will therefore continue to provide transparency in the reporting of funding arrangements in response to major natural disasters.</p> <p><i>Commitment to further action</i></p> <p>DTF will explore opportunities to enhance discussions around the basis and role of contingencies.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 7, Chapter 2.6.1 Level of net estimated infrastructure investment (Page 27)		
<p>The Government explore avenues for raising the quality and clarity of material on annual asset spending estimates presented in the budget papers. Any enhancements made to the presentation of budgeted asset information should be matched by equivalent improvements to the presentation of actual asset spending in the annual financial report</p>	Support	<p><i>Action taken to date</i></p> <p>As noted by the Committee, the Department of Treasury and Finance (DTF) publishes information on the State's infrastructure investment program across the budget papers, with each budget paper focusing on information relevant to that publication. Furthermore the introduction to Budget Paper No. 4, <i>2011-12 State Capital Program</i>, notes that changes have been made to the presentation of asset investment information to strengthen the transparency of Government activity, and to improve accountability for changes in these activities; thereby enhancing the overall level of disclosure.</p> <p><i>Commitment to further action</i></p> <p>The Government supports the ongoing process of improving the quality and clarity of information presented in the budget estimates. In line with PAEC's recommendation, DTF will consider further options to improve the quality and clarity of information on the State's asset investment program with the aim of making the presentation of the annual infrastructure program in the budget papers more user-friendly to Parliament and other readers. The Government will also investigate improvements for the presentation of asset spending in the annual financial report.</p>
Recommendation 8, Chapter 2.7 Contingency provisions (Page 31)		
<p>The Government present in a consolidated manner in future budget papers expanded information on the nature of operating and capital contingencies forming part of the budget, including their role in the budgetary process and the methodology employed for determining their quantification.</p>	Support	<p><i>Action taken to date</i></p> <p>The Department of Treasury and Finance (DTF) will continue to provide information in the reporting of the aggregate level of contingencies and agrees that expanded information on the nature of operating and capital contingencies forming part of the budget, including their role in the budgetary process and the approach employed for determining their quantification should be presented in future budget papers.</p> <p><i>Commitment to further action</i></p> <p>DTF will explore opportunities to enhance discussions around the basis and role of contingencies.</p>

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Recommendation 9, Chapter 2.7 Contingency provisions (Page 31)

The Government present in its future annual financial reports to the Parliament details of drawdowns from contingencies that were made in the financial period.

Support

Action taken to date

The Department of Treasury and Finance (DTF) agrees with the committee of the need to present information of the drawdown from contingencies that were made in the financial period in the annual financial report.

The committee identifies three broad areas of contingencies:

- Contingencies for unallocated operating expenses;
- Contingencies for unallocated capital spending; and
- The year's contingency provision available as an Advance to Treasurer to meet urgent claims proposed in the Appropriation Bill

DTF, when preparing the annual financial report, publishes detailed information on the drawdown of contingencies for unallocated operating expenses and on payments from Advance to Treasurer (2009-10 AFR, Chapter 4 Annual Financial Report, Note 37 Public Account). Departments, when requesting access to funds from the unallocated operating expense contingency, must seek supplementation via an Advance to Treasurer.

However, as there are no unallocated capital provisions in the current year, there are no drawdowns that can be detailed in annual financial reports.

Commitment to further action

DTF will continue to publish details of drawdowns from contingencies for unallocated operating expenses and payments from Advance to Treasurer in future annual financial reports.



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Legislative Assembly of Victoria

Parliament House
East Melbourne Victoria 3002 Australia
Telephone 61 3 9651 8911
Facsimile 61 3 9650 4279
Website www.parliament.vic.gov.au

30 November 2011

Ms Valerie Cheong
Public Accounts and Estimates Committee
Parliament of Victoria

Dear Valerie

Government response to report on 2011–12 Budget Estimates — Part One

I write to advise that the Government's response to the Committee's report on *2011–12 Budget Estimates — Part One* was tabled in the Legislative Assembly on 24 November 2011.

A copy is enclosed.

Yours sincerely

Ray Purdey
Clerk of the Legislative Assembly

